

VDOT Fiscal Outlook

Barbara Reese, VDOT CFO

October 2004



Who is VDOT?

- **A \$2.8 billion company**
- **Employs more than 9,000 individuals**
- **More than 300 locations**
- **Has more than 7 million stakeholders**
- **69,000 miles to maintain and operate**

VDOT Fiscal Outlook

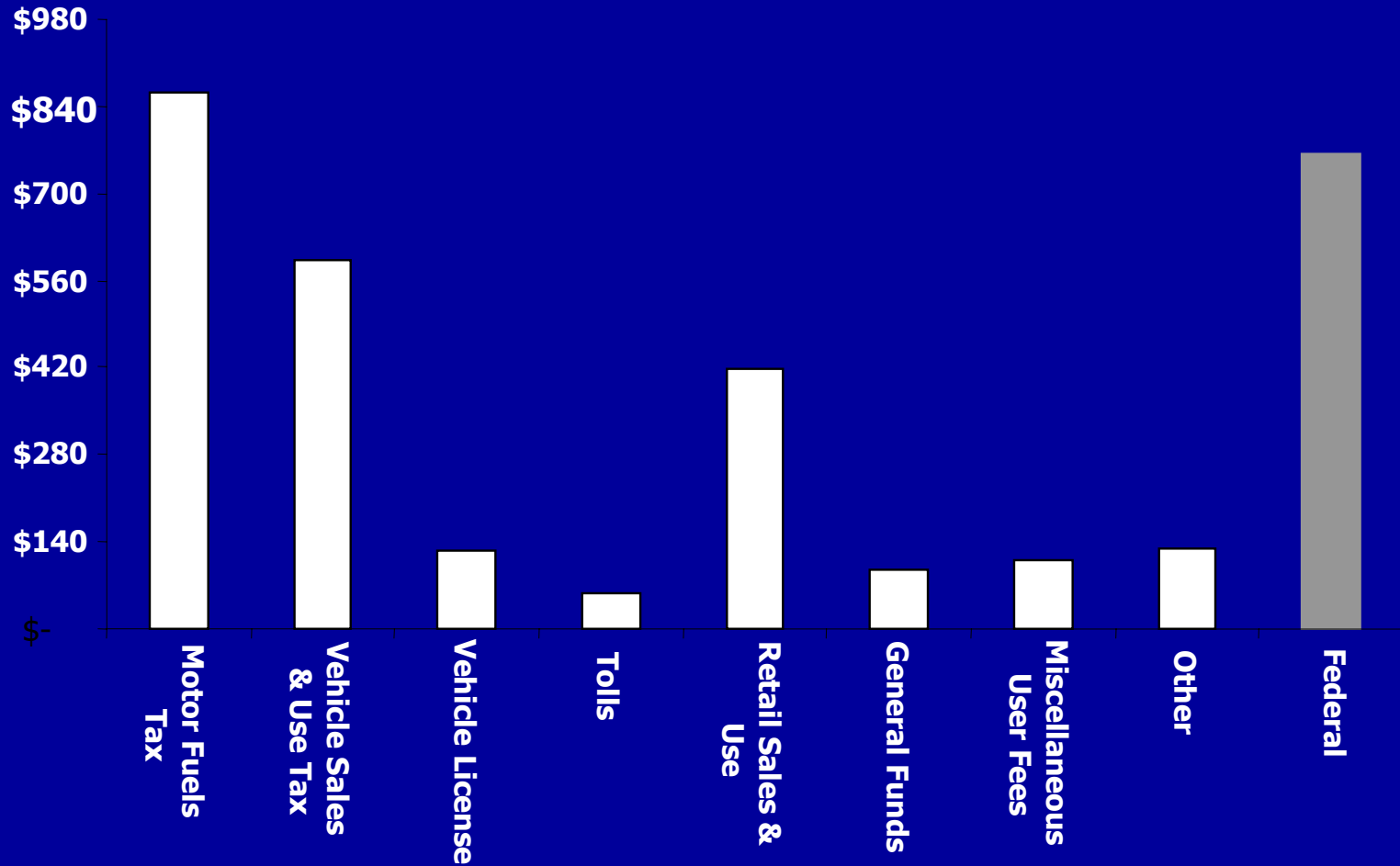
- Transportation revenue growth will average 2% a year for the next six years
- Revenues must address aging infrastructure, a growing number of users as well as growing debt, growing costs and federal role
- Based on where we are today, highway construction is not a healthy, growing business in the Commonwealth

Transportation Revenue

Transportation Revenue

- Average annual growth of 2.0% a year
 - \$2.8 billion in FY 05
- Six year estimate grew \$60 million from FY 04 plan
- 48% of revenue is generated from the state or federal motor fuels tax

Revenue Sources



87% of the federal revenue is from the federal motor fuels tax

General Fund vs Transportation Revenue

- Transportation revenues are NOT general fund revenue
 - Different sources
 - Dramatically different growth
- First Quarter – FY 05 (September 30, 2004)
 - General Fund – 10.5% growth
 - Transportation Fund – 2.6%

VDOT's Spending & Growing Costs



VDOT Allocations

- The \$2.8 billion breaks down to -
 - \$1.3 billion road maintenance
 - \$0.2 billion debt service
 - \$0.3 billion for operations, payments to other agencies, administration
 - \$0.2 billion special financing & earmarks
 - \$0.8 billion systems construction

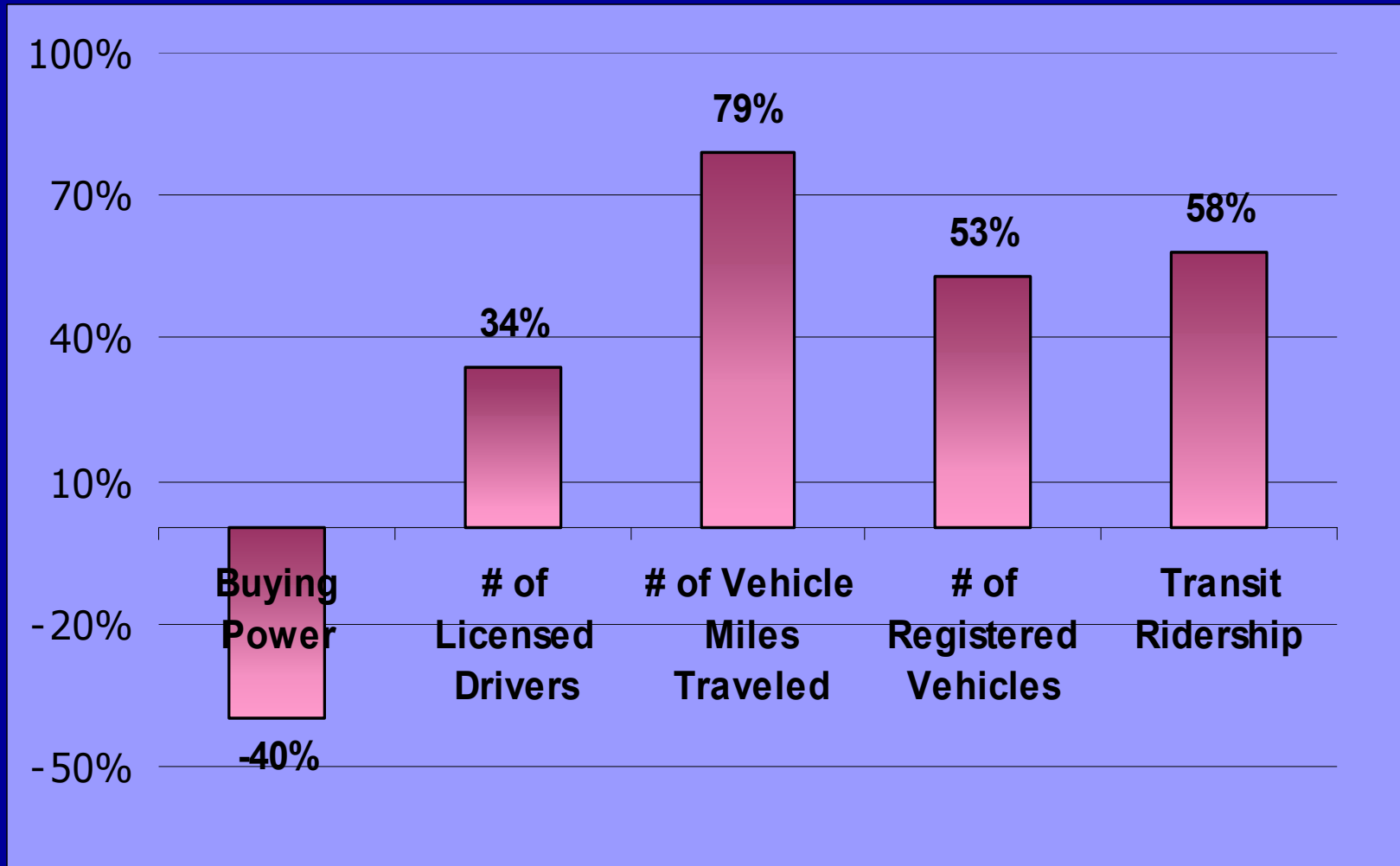
VDOT Spending

- **Of total \$2.8 billion in annual spending**
 - 66% to private sector
 - 19% to VDOT payroll
 - 9% to debt payments (14% of dedicated sources)
 - 6% to everything else including localities, general fund, etc.

Growing Costs - Aging Infrastructure

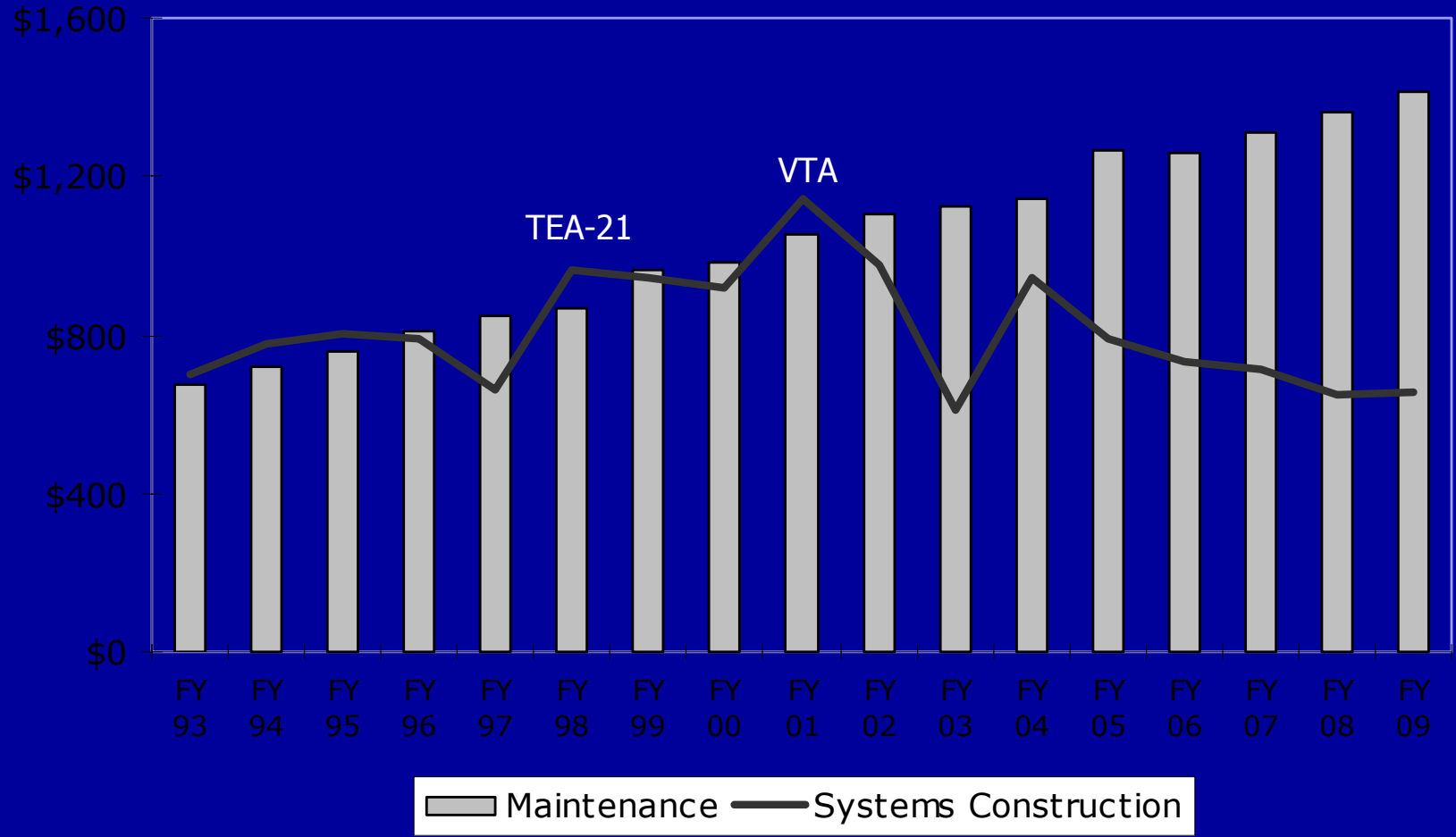
- More than 69,000 miles of roadway
 - 212 million miles driven a day
 - 3 of the top 60 congested areas
 - 17% primary and interstate pavements are deficient
 - 1,112 deficient bridges that qualify for federal funding

Growth in Infrastructure Users since 1986*



*Weldon Cooper Center data; DMV reported 51% growth in Virginia

Growing Difference in Maintenance & Construction Funding



Growing Costs – CTB Debt

- All CTB debt is part of VDOT's budget
- Totals \$1.6 billion in next six years
- \$824 million or 50% is funded off the top of construction
 - \$606 million is FRAN debt service

CTB Debt - June 2004

(in millions)

Program	Outstanding Debt	FY 05 Debt Service	Year Paid Off
Oak Grove Connector	\$ 26.8	\$ 2.3	2022
Powwhite Parkway Extension	36.1	6.2	2011
Coleman Bridge	38.8	3.5	2021
Dulles Toll Road	54.2	11.4	2016
Route 28	113.5	7.5	2018
NOVA Trans. District Program	330.9	28.0	2027
Route 58 Corridor Program	586.3	50.8	2026
FRANS	<u>786.7</u>	<u>136.5</u>	2012
Total	\$1,973.3	\$246.2	

Growing Costs - Inflation

- National models predict 1.9% CPI growth for next six years, with recent growth hovering at 3%
- ENR's construction cost index growth has jumped from 1.3% to 6.4% in last year
 - Current shortages of steel and concrete
 - Construction cost estimates will assume 3% growth a year

Growing Cost - Personnel

- As of October 1, VDOT has 9,256 staff
 - 88% are in the districts
 - 10,153 staff same time two years ago
- Monthly payroll is \$45 million with \$512 million spent in FY 04
 - Payroll expenses \$8 million less than in FY 03
 - However, benefit adjustments and pay raises add more than \$25 million a year in costs going forward

On-Going Cost – Contracts

- Contractual commitments as of FY 2004 - \$1.6 billion
 - To finish projects in FY 05 Program requires another \$8 billion
- Current 2-year ad schedule plans \$2 billion in let construction projects

On-Going Cost – Contracts

- \$601 million in budget deficits remain on 68 completed and 8 on-going projects
 - \$508 million addressed in FY 05-10 Six-Year Improvement Program

Growing & On-Going Costs

- Little is left once costs are financed

	<u># of PE starts</u>	<u>PE estimated cost</u>
Interstate	11	\$2.5 million
Primary	54	\$9.9 million
Urban	<u>66</u>	<u>\$9.5 million</u>
Total	131	\$21.9 million
Secondary in Program	23	\$5.6 million

Planning for the Future

Planning for the Future

- Can't control inflation, existing debt levels or contractual commitments
- Can't control federal funding level – construction program is more than 60% federal with growing ratio
- Can't control unexpected events
- Can have realistic business strategies, including a workforce and tools to deliver

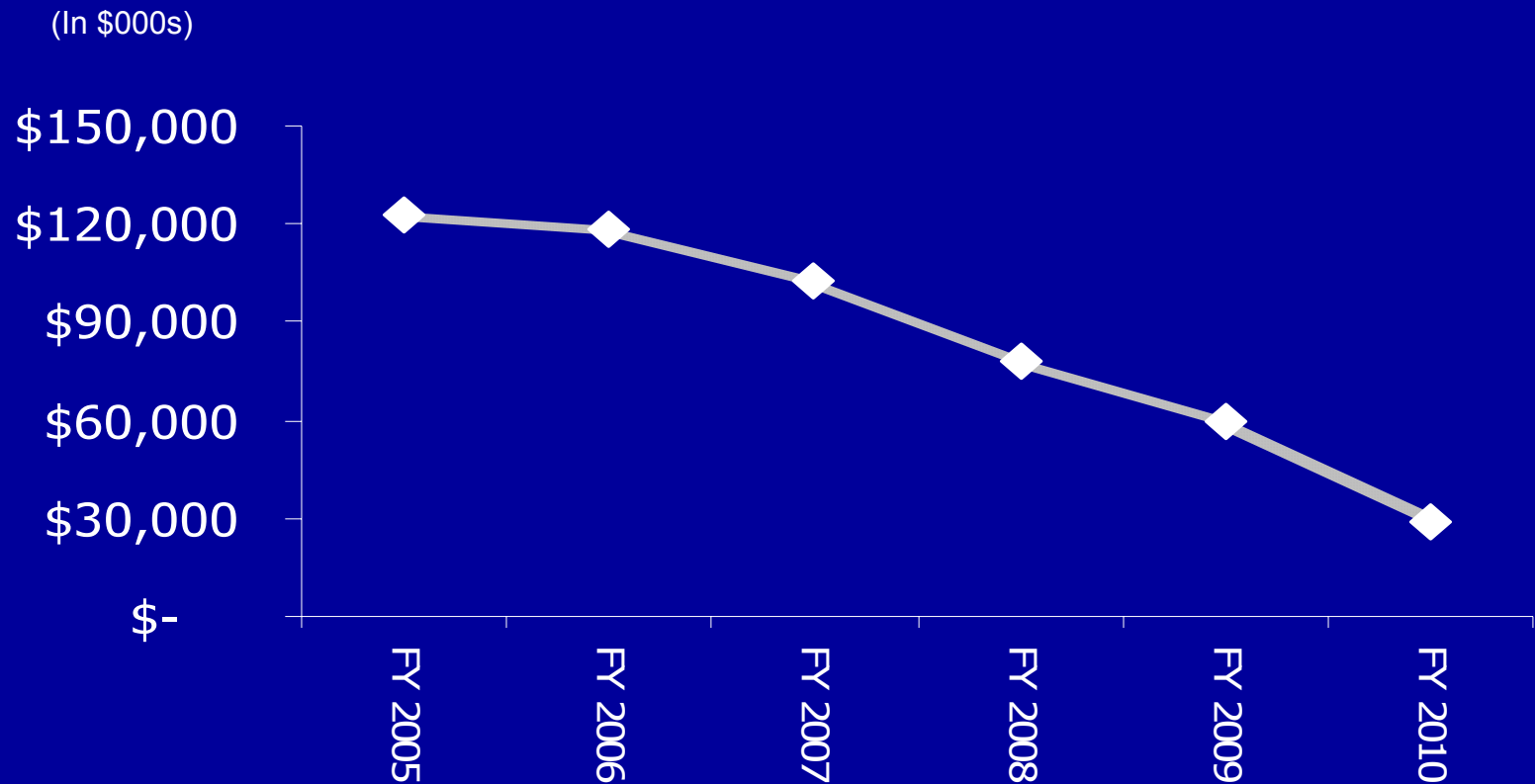
Future Federal Funding Level

- No reauthorization in place – operating under continuing resolutions
- Federal funding level continues to be focus of debate

Discretionary Construction Funding

- In FY 2005, \$123 million is available to match any additional federal funding or other funding needs
 - In FY 2010, \$29 million
 - By FY 2014, \$0

Discretionary Construction Funding



Next 20 Years

- Jobs will increase by 1.9 million
- Population will increase by 2 million
- Registered vehicles by 3 million or 43%
- Freight shipments will double
- VMT will grow 28.5 billion or 35%

VDOT Fiscal Outlook

Barbara Reese, VDOT CFO

October 2004

